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January 22, 2002

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VIA HAND DELIVERY

RECEIVED

JAN 22 2002

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, S.W. – The Portals
TW-B204
Washington, D.C. 20554

Re: Notice of Written *Ex Parte* Presentation
In The Matter of Inquiry Concerning High-Speed Access to the Internet Over Cable and Other Facilities, GN Docket No. 00-185

Dear Ms. Salas:

On behalf of AOL Time Warner Inc. ("AOL TW"), enclosed please find two copies of a written *ex parte* presentation submitted to Royce Sherlock, Deputy Chief of the Policy and Rules Division of the Cable Services Bureau. The *ex parte* presentation consists of a letter responding to Ms. Sherlock's request that AOLTW provide additional information regarding the availability of multiple Internet Service Providers on Time Warner Cable systems, and expands on the issues discussed in AOLTW's December 12, 2001 *ex parte* presentation. Letter from Wayne D. Johnsen, Wiley Rein & Fielding LLP, to Magalie Roman Salas, Secretary, Federal Communications Commission (Dec. 13, 2001) (Notice of *Ex Parte* Presentation).

Kindly direct any questions regarding this matter to the undersigned.

Respectfully submitted,

Heather O. Dixon

Heather O. Dixon

Enclosure

cc (w/encl.): Royce Sherlock
Chairman Michael Powell
Commissioner Kathleen Abernathy
Commissioner Michael Copps

No. of Copies rec'd 012
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Commissioner Kevin Martin
Susan Eid
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AOL Time Warner

Steven Teplitz
Vice President and
Associate General Counsel

January 22, 2002

Royce Sherlock
Deputy Chief, Policy and Rules Division
Cable Services Bureau
Federal Communications Commission
445 Twelfth Street, SW
Washington, DC 20554

Re: In The Matter of Inquiry Concerning High-Speed Access to the Internet Over Cable and Other Facilities, GN Docket No. 00-185

Dear Ms. Sherlock:

This letter is in response to your request that AOL Time Warner Inc. ("AOLTW") provide additional information regarding the availability of multiple Internet Service Providers ("ISPs") on Time Warner Cable ("TWC") systems, and expands on the issues discussed in AOLTW's December 12, 2001 *ex parte* presentation.[1] In particular, this letter will update the Commission on the status of TWC's efforts to offer consumers a choice among ISPs, and provides a more detailed description of the technical and operational issues involved in TWC's multiple ISP initiative.

From its inception, AOLTW has been committed to providing consumers with a choice of affiliated and unaffiliated ISPs on TWC systems, and we are proud of the leadership role TWC has played in offering choice and innovation in high-speed Internet services. After completing technical and operational trials on its Columbus, Ohio system, TWC began commercial rollout of its multiple ISP initiative in September 2001 on a division-by-division basis. Today, TWC provides consumers in each of its 20 largest divisions with a choice of three national ISP services: America Online; Road Runner[2]; and EarthLink. These 20 divisions account for approximately 70 percent of TWC's subscribers, passing over 14.7 million homes. TWC is preparing to launch its multiple ISP offering in its remaining divisions, and anticipates

[1] Letter from Wayne D. Johnsen, Wiley Rein & Fielding LLP, to Magalie Roman Salas, Secretary, Federal Communications Commission (Dec. 13, 2001) (Notice of *Ex Parte* Presentation).

[2] TWC increased its ownership in the Road Runner high speed Internet service and took over management of its operations in December 2000. With the increase in ownership by TWC and the restructuring of the Road Runner partnership agreement, TWC was able to terminate Road Runner's exclusivity on TWC systems, which was to run through the end of 2001.

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that this roll-out will be completed wherever high-speed data services are available by the end of the third quarter of this year.

TWC has also entered into additional agreements with national and regional ISPs, which, upon approval by the Federal Trade Commission ("FTC"), will allow AOLTW to offer consumers additional ISP choice in each division. These include:

- an agreement with Inter.net US Ltd. for the provision of ISP service on TWC systems nationwide;
- an agreement with New York Connect.Net Ltd for the provision of ISP service on TWC systems in New York, New York;
- an agreement with STIC.NET for the provision of ISP service on TWC systems in San Antonio, Houston and Austin, Texas;
- an agreement with Internet Junction Corp. for the provision of ISP service on TWC systems in Tampa Bay and Central Florida;
- an agreement with Big Net Holdings, Inc. for the provision of ISP service on TWC systems nationwide;
- an agreement with LocalNet Corp. for the provision of ISP service on TWC systems in Albany, Binghamton, Liberty, Rochester and Syracuse, New York;
- an agreement with West Central Ohio Internet Link, LLC for the provision of ISP service on TWC systems in Cincinnatti and Columbus, Ohio, and in Northeast and Western Ohio;
- an agreement with Global Systems, Inc. for the provision of ISP service on TWC systems in Charlotte, Greensboro and Raleigh, North Carolina and in South Carolina;
- an agreement with Digital Communications Networks Inc. for the provision of ISP service on TWC systems in Los Angeles, California;
- an agreement with Athena Services, Inc. for the provision of ISP service on TWC systems in Milwaukee, Appleton and Green Bay, Wisconsin; and

- an agreement with Web One, Inc. for the provision of ISP service on TWC systems in Kansas City, Missouri and Kansas City, Kansas.[3]

AOLTW is pleased to inform the Commission that on December 21, 2001 the FTC approved the agreements with Inter.net US Ltd., New York Connect.Net Ltd, STIC.NET, and Internet Junction Corp. TWC is in the process of working with these ISPs for the roll-out of their services. The remaining agreements referenced above are awaiting FTC approval and TWC also is discussing agreements with other unaffiliated ISPs.

TWC's Multiple ISP Business Model

Following the announcement of the merger, and before any regulatory conditions were agreed to in connection with it, AOL and TWC developed a new business model for the offering of multiple ISPs on cable systems. That model, described below, is designed to meet the business needs of ISPs as well as cable operators, while also serving the needs of consumers.

Under TWC's multiple ISP business model, which is now being implemented on its cable systems, the ISP and the cable operator together offer an integrated Internet service to consumers and both retain a direct interest in providing the service to the customer. The model most closely fits that of the pay cable business. And just as the cable industry recognized over time that pay programmers could differentiate themselves from one another so that consumers would want a choice of pay services on their cable systems, so too has TWC recognized that ISPs have differentiated their offerings such that there is consumer demand for multiple ISPs on their cable systems.

The most important characteristic of the TWC multiple ISP business model is that both TWC and the ISP retain a direct interest in each customer's account and share in the economics of each customer pursuant to individually negotiated affiliation agreements between TWC and the ISP, just as TWC does with its pay programmers. This direct financial interest ensures that

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[3] TWC also submitted agreements with High Speed Access Corp. ("HSA") and Juno Online Services, Inc. ("Juno") to the FTC for approval. The HSA agreement was withdrawn after HSA's owners reorganized the company and decided to withdraw from offering the HSA ISP service to third parties. Upon Juno's request, the FTC's review of the Juno agreement was put in abeyance after Juno announced its merger with Net Zero. That merger recently closed, creating a new company called United On Line. TWC is in discussions with the management of United On Line.

both parties are strongly motivated to ensure that customers receive quality service when obtaining their ISP service over TWC's systems.

And unlike arrangements such as DSL, where telephone companies generally sell wholesale transport to ISPs, TWC's multiple ISP business model is structured so that both TWC and the ISP take full responsibility for the service customers receive. Thus, customers can call either TWC or the ISP to have their problems addressed. There is no finger pointing that could leave customers with nowhere to turn.

Also, under this model, both TWC and the ISP can sell directly to customers. When TWC is the selling party, it sets the price. When the ISP is the selling party, it does so. This system benefits consumers because it provides more information about ISP choices than would be the case if only one party were the retailer. When customers call TWC, they learn about the variety of ISPs available over TWC's systems. When they call the ISP, they learn about the variety of platforms that the ISP uses to make its service available.

TWC also believes that this partnering arrangement works best for customers because TWC is putting its reputation on the line with every ISP it sells, both in the case of affiliated ISPs like AOL, and unaffiliated ones like EarthLink. TWC knows that if customers are dissatisfied with EarthLink as delivered on TWC's systems, they will most likely conclude that cable modem service is not very good, and switch to another platform, like DSL, rather than another ISP offered on TWC's cable systems. Accordingly, TWC has every incentive to ensure its cable modem subscribers have a positive experience, whether the ISP is affiliated or unaffiliated.

TWC's Multiple ISP Architecture

TWC provides cable modem service via a hybrid fiber coaxial ("HFC") system. The foundation of TWC's cable modem service is its Internet Protocol ("IP") routed infrastructure, which transports high-speed data and applications to the consumer's personal computer. Each cable modem subscriber is connected to TWC's HFC plant via a DOCSIS-compliant cable modem, provided and installed by TWC. The cable modem supports an Ethernet or Universal Serial Bus ("USB") connection to the consumer's personal computer.

Currently, only one level of service is available to consumers, with a maximum throughput capacity for service subscribers of 2 Mbps downstream (*i.e.* to the PC) and 384 Kbps upstream (*i.e.* from the PC). In the future, it is contemplated that additional service levels will be available (*e.g.*, 4 Mbps downstream and 384 Kbps upstream).

Each customer's cable modem is connected to a fiber-node via coaxial cable. Each node is then connected to a distribution-hub via fiber-optic cable. Cable Modem Termination Systems ("CMTS") are located in the distribution hub. The CMTS convert the RF signal from cable modems to a digital signal suitable for connection to an IP router. Each distribution-hub serves approximately 40 fiber-nodes. Similarly, each distribution-hub is connected to a large, centralized, headend via fiber-optic cables. The headend is the point of demarcation between the ISPs and TWC.

The headends are interconnected to Regional Data Centers ("RDCs") via diverse-routed fiber-optic cables. Each RDC houses Dynamic Host Configuration ("DHCP") servers. The DHCP servers assign a private IP address to each consumer's cable modem and a public IP address to the consumer's personal computer. Thus, subscriber management functions, including IP address management and access management are handled by TWC at the RDC.

IP Routers are placed in the distribution hubs, headends and RDCs. These IP routers manage the connections between distribution hubs, headends and RDCs, and are configured to automatically re-route traffic in the event of a fiber cut or equipment failure to protect against network outages.

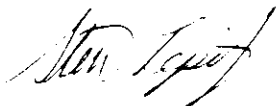
The TWC network architecture is based on destination-based routing. Destination-based routing (the most commonly used method of routing packets of information over the Internet) routes packets from the sender's PC to the TWC network to the Internet based on the best-match of the destination address at each router. During its Columbus trial testing, TWC determined that destination-based routing offered the quickest and most economical way to provide multiple ISPs to consumers. Although ISPs are responsible for providing their own infrastructure from TWC's headends to the Internet, the ISPs currently made available to TWC subscribers have reached separate agreements to use AOLTW capacity to reach the Internet.

* * * * *

As discussed above, recognizing the desire to offer consumers a choice of ISPs on its cable systems, TWC has partnered with both affiliated and unaffiliated ISPs to jointly provide an integrated, intertwined, high-speed Internet service that combines the best of each party's unique capabilities. TWC recognizes that its relationships with its ISP partners are vital to the success of this initiative. Thus, TWC and its partner ISPs work closely together on technical and

customer service issues to ensure that the consumer experience is a seamless and positive one. TWC's relationships with its ISP partners have been critical to the successful roll-out of its multiple ISP offering over the past few months and will be critical to the upcoming roll-outs of services as FTC approvals for additional ISP partners are obtained. Please do not hesitate to contact me should you have any additional questions.

Respectfully submitted,



Steven N. Teplitz
Vice President and Associate General Counsel
Communications Policy and Regulatory Affairs

cc: Chairman Michael Powell
Commissioner Kathleen Abernathy
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